



# MARYLAND DEPARTMENT OF THE ENVIRONMENT

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Martin O'Malley  
Governor

Robert M. Summers, Ph.D.  
Secretary

Anthony G. Brown  
Lieutenant Governor

February 20, 2014

The Honorable Thomas M. Middleton, Chairman  
Senate Finance Committee  
3 East Miller Senate Building  
Annapolis, MD 21401-1991

Re: Senate Bill 394 – *Statewide Container Recycling Refund Program*

Dear Chairman Middleton and Members of the Committee:

The Maryland Department of the Environment (MDE or “the Department”) has reviewed Senate Bill 394 entitled *Statewide Container Recycling Refund Program*, and would like to provide our support for the concept of a container recycling program and provide information regarding the bill.

The Department supports increased beverage container recycling in Maryland. In 2012, Maryland’s recycling rate for beverage containers was estimated at 42.8 percent, including all uses for recycled beverage containers, not just container to container recycling. There are many beneficial uses of container materials in recycled products, including in plastics containing fabric for clothing and carpet, glass in roads and other construction materials, and numerous aluminum uses. As part of the State’s developing zero waste strategy, MDE intends to continue to investigate the best ways to increase beverage container recycling in the short term, including deposits on beverage containers, recycling fees on beverage containers, mandatory recycling for bars and restaurants, and extended producer responsibility (“EPR”) style programs in which producers must establish recycling programs. The Department will continue to seek stakeholder input into these enhanced recycling strategies.

Senate Bill 394 would establish a 5-cent deposit on beverage containers sold in the State beginning January 15, 2016 and would place obligations on the Department, the counties, beverage distributors, retailers, and on-premise sellers of beverages. Beverage distributors would be required to register with MDE on or before April 15, 2015 and the counties, in consultation with the Department, would be required to establish convenience zones in which beverage container redemption centers would be located. In addition, the Department would be required to develop, in consultation with the counties, rules and procedures for licensing redemption centers and establish random third party verification procedures for redemption centers that manually count redeemable beverage containers.

The bill would create a Container Recycling Refund Program Fund in new § 9-1740 of the Environment Article that would be administered by the Comptroller and into which the beverage deposits would be placed. The Comptroller would control the Fund, which could be used to implement and administer the program and provide funding for State and local recycling centers, recycling equipment, recycling education, and marketing and State and local environmental programs. The Department’s Office of Recycling would have the authority to write regulations and would be required to achieve the Statewide redeemable beverage container redemption rates specified in Maryland’s Greenhouse Gas Reduction Act Plan (80 percent by 2020 and 90 percent by 2030), develop strategies to protect against fraud, and facilitate the exchange of information between beverage



container manufacturers, distributors, retailers, and licensed redemption centers, including universal product code information for reverse vending machines.

The proposed legislation would affect the Department by increasing its workload to register distributors, license private redemption centers, adopt rules and procedures for redemptions, establish the third party verification process, and work with the counties to identify the convenience zones and generally implement the program. These duties would require MDE to incur costs to hire additional permanent staff and to support increased operating expenses. Since MDE would not have control of the Container Recycling Refund Program Fund, it is not clear that the Department's expenditures could be supported by the redeemable beverage container fees, and certainly could not be supported by that Fund in FY2015 before deposits are collected.

Senate Bill 394 is similar to Senate Bill 641/House Bill 1085, introduced during the 2013 session. Senate Bill 394 transfers some responsibilities to the Department that were county responsibilities under the 2013 bill. It also includes a lower handling fee for local government run redemption centers, which would make the Statewide Container Recycling Refund Program Fund sustainable at higher levels of redemption than did the 2013 bill, but this could have a negative impact on counties and municipalities. In addition, the bill sets higher goals for beverage container redemption, at 80 percent for 2020 and 90 percent for 2030, compared to the 75 percent redemption goal in the 2013 bill. It should be noted that while the net fiscal effect of this proposal is expected to be positive during the first 5 years of the program, as redemption rates increase, expenditures for refunds and handling fees will increase relative to deposit revenues in subsequent years. If redemption rates reach 83.3 percent, net revenue from unredeemed deposits will be zero. At higher redemption rates, the Statewide Container Recycling Refund Program Fund would run at a deficit.

Thank you for your consideration. We will continue to monitor Senate Bill 394 during the Committee's deliberations, and I am available to answer any questions you may have. Please feel free to contact me at 410-260-6301 or by e-mail at [jeffrey.fretwell@maryland.gov](mailto:jeffrey.fretwell@maryland.gov).

Sincerely,



Jeffrey Fretwell

cc: The Honorable Brian E. Frosh  
Mr. HoracioTablada, Director, Land Management Administration